

Background

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Cataclysm: The Rejection of the European Constitution and What It Means for Transatlantic Relations

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It has already begun. The authors behind the European Union's latest effort at centralization, the EU Constitution, are attempting to ignore the cataclysm of its rejection by voters in the Netherlands and France. In both countries, voters turned out in large numbers, with roughly 70 percent of the French and around 63 percent of the Dutch going to the polls. The results were as overwhelming as they were stunning, with 62 percent of the Dutch and 55 percent of the French voting no.

This decisive rejection of the next step on the road to an ever closer European Union by two of its founding members signals the end of an epoch. Coupled with an almost certain British no vote if the referendum had not been abruptly cancelled, two of the three most important states in Europe oppose the document. As *The Economist* stated, “[R]ejection of the constitution signals that the dream of deeper political integration and, in the 1957 Treaty of Rome’s famous phrase, ‘ever closer union’ is over.”¹ This is to be welcomed by freedom-loving citizens on both sides of the Atlantic.

French and Dutch citizens chose to vote no for many disparate reasons. In addition, a number of overarching pan-European issues and forces contributed decisively to the vote: flaws in the actual document; the economic crisis, which is discrediting the entire European elite; political sclerosis at both the national and European levels, which has left European citizens feeling far removed from democratic control of their lives; and the one-size-fits-all philos-

Talking Points

- The decisive rejection of the next step on the road to an ever closer European Union signals the end of an epoch.
- A number of overarching pan-European forces contributed decisively to the vote: flaws in the document, the ongoing economic crisis, political sclerosis, and the underlying one-size-fits-all philosophy.
- It is vital that the U.S. develop with Europe—collectively and, even more important, as countries—a transatlantic agenda that fits the political realities on the ground.
- Economically, the United States should immediately help to establish a Global Free Trade Alliance.
- Politically, the United States should make it clear that no European country will be penalized for working with the United States on an individual, case-by-case basis.
- Militarily, the U.S. should urge a renewed commitment to NATO reform.

This paper, in its entirety, can be found at:
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ophy underlying the European project, which has less and less to do with a very diverse continent. All of these factors were clearly evident before the vote.

One of the advantages of a conservative view is that it is fundamentally concerned, as Edmund Burke put it, with the world as it is and not as one would have it be. Conservatives saw this result coming and properly faced these facts and proposed alternative and better policies for the peoples of Europe and the United States.² Given a result made understandable by conservative analysis, the time has come for the United States to urge conservative recommendations upon a confused European elite:

- *Economically*, the United States should establish a Global Free Trade Alliance (GFTA), setting up an attractive alternative for free-trading European states that are tired of being held back by the economically sclerotic, protectionist euro-core.
- *Politically*, unlike the European elites, the United States should make it clear both that it respects the right of Europeans to decide the ultimate form of political association that the various states wish to have with one another and that the U.S. will not penalize any state for working individually with America on an issue-by-issue and case-by-case basis, as so often happens in practice.
- *Militarily*, the U.S. should urge a renewed commitment to NATO reform, reminding European allies that NATO remains the only politically secure possibility for a common defense.

What Is Going on in Europe?

The European people have shocked their elites and much of the left in the United States by opting for freedom, sovereignty, and a looser, more nation-based EU than the continent's tired elite could have imagined possible. This—not some false mythical unity promised by centralized Europe's backers—is the true future of the continent. The United States

should move quickly to support Europeans everywhere who wish to retake control of their political, military, and economic destiny.

A Seriously Flawed Document. When asked by former Italian Prime Minister Giuliano Amato, deputy president of the convention that drew up the European Constitution, what was wrong with it, the author said succinctly, "It has 448 articles to America's 7." There is little doubt that such an immense document failed in its original purpose of making the EU more transparent and explicable to the average citizen.

Beyond the length is its wording, which only a lawyer could comprehend. The constitution was purposely vague so as to hide significant differences of political opinion. For example, the constitution commits EU members to a progressive framing of a common defense policy without explaining how it would interact with NATO, which many EU members see as the pre-eminent European security organization. It is also unclear as to how neutral EU member states—such as Ireland, Austria, and Finland—would recalibrate their defense policies to mesh with their more martial EU allies.

Many such discrepancies were to be worked out over time by the unelected European Court of Justice, which would interpret the law with the goal of "ever closer union" as its mandate. This was certainly a ploy for further centralization by the back door. With its opaque language obscuring real political differences and a hidden agenda for elite-driven centralization, this was not exactly a document that met the Jeffersonian ideal.

This ideal was further ignored in that, in violation of earlier promises, the document would return no powers to the countries and peoples of Europe. It provides for a new European foreign minister, a new president of the European Council, and new voting weights that would make it easier for the large states to get things done over the

1. "The Europe That Died," *The Economist*, June 2, 2005, at www.economist.com/opinion/displaystory.cfm?story_id=4033308 (June 3, 2005; subscription required).

2. John C. Hulsmann, Ph.D., and Nile Gardiner, Ph.D., "A Conservative Vision for U.S. Policy Toward Europe," Heritage Foundation *Background* No. 1803, October 4, 2004, at www.heritage.org/Research/Europe/bg1803.cfm.

objections of smaller states, but it is a one-way process, with power continuing to flow toward Brussels without any being returned. With the document's cheerleaders now attempting to rewrite history, it is vital that Americans see that the constitution's significant flaws were a major reason for its unpopularity.

An Economic Crisis Rightly Discrediting Europe's Elite. The numbers have been there for all to read. Only with the constitution's rejection have many on the left begun to see how the continent's overly statist economic system has undermined respect for its leaders. In France, the unemployment rate for workers under 25 years old is over 20 percent. It is little wonder that they were the largest group voting against this elite-driven project. Overall French unemployment hovers around 10.2 percent, with no concerted plan in place to limit government expenditures that account for over 50 percent of French gross domestic product (GDP).

Likewise, German Chancellor Gerhard Schroeder has been forced to call national elections following his party's decisive defeat in regional elections in North Rhine–Westphalia, a traditional stronghold of his Social Democratic Party (SPD). The reason for his unpopularity is simple. Earlier in his chancellorship, Schroeder rashly said that he should be voted from office if German unemployment reached 3.5 million. It is now near 5 million, the highest figure since the 1930s. Although millions of euros have been thrown at eastern Germany since unification, it is falling ever further behind the economic standards of western Germany.

In Italy, the chairman of the Italian Central Bank recently announced that he expects Italy, already in recession, to experience no growth for the whole of 2005.³ Italian debt, amounting to 106 percent of GDP, is also a cause for great economic concern. It is not surprising that these economic realities caused Prime Minister Silvio Berlusconi's government to be routed in spring 2005 elections, losing 12 of the 14 contested provinces. Berlusconi was forced to reconstitute his government, agreeing to

de-emphasize corporate tax cuts as a price for staying in power. Italy, Germany, and France are the core states of the euro zone, and their collective economic malaise does much to explain the European public's strong dislike of the elites that are driving the EU constitution.

An Arrogant and Out-of-Touch Political Class. Still clinging to statist doctrines once fashionable in the pre–Margaret Thatcher era, the continental elite has also increasingly lost political touch with its people on both the national and pan-European levels. For example, of the 10 states that have ratified the constitution, only Spain put the vote to a referendum. Regarding EU enlargement—the dramatic accession of 10 new members, primarily from Central and Eastern Europe—not one existing member called for a referendum on such a transformational question.

Even after the no votes, members of the European elite are clearly finding it hard to shed their elitist proclivities. Immediately following the Dutch vote, Jean-Claude Juncker, prime minister of Luxembourg and current head of the rotating EU presidency, urged that France and the Netherlands would have to keep voting until they came up with the right response. Others, such as external affairs commissioner Javier Solana, have suggested that parts of the discredited treaty could be implemented without further voting, such as establishing an EU diplomatic corps—a step toward further integration. Like the old Bourbon kings of France after the French Revolution, the EU elites seem to have learned nothing.

This arrogance, coupled with economic incompetence, extends to the national level. France is a case in point. In the past quarter-century, there have been only two presidents of France, Jacques Chirac and Francois Mitterand. Since Charles De Gaulle, the French Fifth Republic has tended to anoint presidents and prime ministers from only one university—L'Ecole Nationale d'Administration. In the aftermath of the vote in France, Chirac appointed a new prime minister, Dominique de Villepin, who has never before held elected office.

3. Tony Barber, "Fazio Sees Italy's Exports Stagnating," *Financial Times*, June 1, 2005.

His rival Nicolas Sarkozy wryly observed, “Villepin talks about the people, but he has never traveled second class.”⁴

One Size Does Not Fit All. The very disparity between the Dutch and French political cultures provides another telling reason for the constitution’s demise. The Dutch favor NATO and think the European Security and Defense Identity (ESDI) should complement it. The French favor ESDI as a counterbalance to NATO. The Dutch are generally pro-American, feeling that engagement with the sole superpower (as in Iraq) is the best way to promote their national interests. The French yearn to establish themselves as the leaders of a countervailing pole to challenge American power. The Dutch, for all their European-style regulation, have a relatively open, free-trading economy. The French favor high levels of government expenditure, socialism, and a large dollop of protectionism.

Thus, the two renegades in Europe stand for fundamentally different foreign, defense, and economic policies but still view the EU as a step in the wrong direction—a compromise that satisfies neither. Maybe two such different cultures do not belong in the same political construct after all. In a Europe of diversity, it would seem that the one-size-fits-all mantra of ever closer integration amounts to just another in a series of utopian efforts to defy gravity. It has hit the ground with a well-deserved thud.

The common denominator in all these instances of systemic failure is that Europeans feel powerless, whether the questions are political or economic. The European elites’ challenge in the new era is to reconnect with their citizens in order to remain a relative bastion of stability. While it is primarily up to the peoples of Europe to do this, the United States can make this transition both more assured and more appealing.

Implementing a Transatlantic Agenda for a New Era in Europe

Given the decisive rejection of an overcentralized Europe, the United States must clearly reaffirm that the continent will remain the foundation of all

future U.S. coalitions well into the 21st century and a primary American interest. In uncertain times, it is vital that the U.S. develop with Europe—collectively and, even more important, as countries—a transatlantic agenda that fits the political realities on the ground.

Policy #1: Economically, the United States should immediately help to establish a Global Free Trade Alliance, opening the door to genuine free trade with qualified European nations that are tired of acquiescing in Europe’s centralized, overly protectionist trade policy.

Conservatives have long targeted the European Union as the major impediment to completing the Doha Global Free Trade Round. The Doha Round was announced as “The Development Round,” designed to help the developing world experience the benefits that free trade would bring through a marked decrease in agriculture tariffs. Here the EU, with its bloated Common Agricultural Policy (CAP), stands directly in the way of a deal. The CAP consumes over 40 percent of the current EU budget. This is a significant drain on European consumers as well as the wider world.

During the French vote, farmers—heretofore strong supporters of President Chirac—voted no in large numbers, fearful that the EU might chip away at their protectionist trough. Following the cataclysm, it will be much harder to conclude a global deal on trade, given the power that French farmers exert over the weak Chirac government. Because the French have blocking power at the European level, waiting for movement in the Doha Round is bound to be frustrating.

The new situation in Europe offers an opportunity both to renew a genuine commitment to free trade and to deepen the transatlantic relationship. In economic matters, Europe is far from a monolith. Many individual states have chafed under the protectionist strictures of the common EU policy. In the new era, with the high tide of overcentralization ebbing and a new movement gathering to return power to the lowest sovereign level practical (in European terms, “subsidiar-

4. Elizabeth Bryant, “Profile: French PM Dominique de Villepin,” United Press International, June 1, 2005.

ity”), a Global Free Trade Alliance is an idea whose time has come.

A GFTA would be an economic coalition of the willing, determined to liberalize trade among its members. It would augment existing bilateral, regional, and multilateral free trade negotiations. It would not be a treaty, but a legislative initiative offering free trade between the U.S. and any other country that has demonstrated a commitment to free trade and investment, minimal regulation, and property rights. Congress would authorize GFTA members’ access to the U.S. market with no tariffs, quotas, or trade barriers (or at the least exceptionally low rates) on the single condition that they reciprocate this access to the U.S. and other members of the alliance.

GFTA membership should be based on objective analysis of a country’s commitment to free trade in goods, services, and investment, such as that used in the *Index of Economic Freedom*, published annually by The Heritage Foundation and *The Wall Street Journal*.⁵ Four of the *Index*’s 10 factors constitute a sound measure of the openness of a country’s markets. These four factors are related to trade policy, capital flows and foreign investment, property rights, and regulation.⁶

The *Index* ranks countries on a scale of 1 to 5, with 1 being the score for the most economically open states. Using the *Index*, countries receiving a 1 or 2 on trade policy, capital flows and foreign investment, property rights, and regulation would qualify. While only 13 countries would currently qualify for a GFTA, another 18 representing every region of the world qualify in three of the four factors and thus would need only to improve their scores in the remaining factor.

Rather than having a standing secretariat, the GFTA would merely be a formalized meeting of the

member countries’ trade ministers, staffs, and technical experts. Any specific technical working group would exist only so long as its specific task (e.g., agreeing on common accounting standards) was being addressed. Further decisions on trading initiatives, such as codifying uniform standards on subsidies and capital flows, would be made on a consensual basis to further minimize barriers within the alliance.

The GFTA can change the very way that people and countries think about free trade. Further global trade liberalization would no longer require wrangling over “concessions.” Instead, free trade would be seen for what it is: a policy that gives countries that embrace it a massive economic advantage. As the advantages of the alliance became apparent, the GFTA would serve as a practical advertisement for the enduring global benefits of free trade.

For free-trading European states, a GFTA would offer a viable alternative to waiting vainly for the schizophrenic EU to favor free trade. In 2005, Denmark, Estonia, Finland, Iceland, Ireland, Luxembourg, and the United Kingdom would have qualified for GFTA membership. A GFTA would associate genuine free-trading European nations with other dynamic economies around the world. For example, in 2005, Australia, Botswana, Hong Kong, New Zealand, Singapore, and the United States would also have qualified.

A critical advantage of a GFTA is that it would have no political baggage: Unlike the EU, it is not an attempt to promote any form of political union. In an increasingly loose EU construct in which more powers are likely to be returned to the countries and their people, a GFTA is a powerful incentive for free-trading EU countries to loosen the trading ties that bind them to the largely protectionist trading regime.⁷

5. For the most recent edition, see Marc A. Miles, Edwin J. Feulner, and Mary Anastasia O’Grady, *2005 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2005), at www.heritage.org/index.

6. For more detail about the criteria, see John C. Hulsman, Ph.D., and Aaron Schavey, “The Global Free Trade Association: A New Trade Agenda,” Heritage Foundation *Background* No. 1441, May 16, 2001, at www.heritage.org/research/tradeandforeignaid/bg1441.cfm.

7. See Martin Howe, “Could the United Kingdom Join a Global Free Trade Association?” in John C. Hulsman, *The World Turned Rightside Up: A New Trading Agenda for the Age of Globalization* (London: Institute for Economic Affairs, 2001).

Austria, Belgium, France, Germany, Italy, the Netherlands, Portugal, Spain, Sweden, and Switzerland are next in line, lagging in only one criterion: regulatory burden. If these European countries are going to reform economically to meet the challenges of globalization, they will certainly have to deal immediately with their onerous regulatory burdens in any case. A GFTA would offer them a reward for undergoing this rigorous reform: a very tangible and valuable economic gain for undergoing a significant change in their common statist economic culture. A GFTA could therefore help to reverse decades of euro-sclerosis, both as a salutary example of the benefits of free trade to those in Europe who doubt its necessity and as a tangible reward for countries that are politically brave enough to face the realities of globalization.

Policy #2: The United States should make it clear that no European country will be penalized for working with the United States on an individual, case-by-case basis, befitting the multi-speed Europe that is now emerging.

In the end, the British version of the European Union has triumphed: Enlargement has led to a widening of the union, making it more divided politically and economically between a free-market Atlanticist wing, led by the U.K. and augmented by the Scandinavian countries and the “New Europe” countries of Central and Eastern Europe, and the protectionist anti-American wing led by France and augmented by countries such as Belgium and Greece. This division means that the EU is not likely to be used at present as an anti-American force or, just as critical, to be a major benefit to the transatlantic alliance.

Yet European countries remain vital to any coalitions of the willing that America is likely to pursue. There simply is not another region of the world where so many great powers—the U.K., France, Germany, Italy, Spain, and Poland—are likely to side with America on major strategic issues. For example, the U.S. is coordinating a negotiating strategy with the EU-3 (France, Germany, and the U.K.) over the Iran crisis. Poland and Lithuania took the lead in partnering with America during the recent political crisis in Ukraine. France has worked closely with America

in supporting the liberation of Lebanon from Syrian domination.

Such alliances are likely to prove transitory in the new era, lasting only as long as transatlantic interests are held in common. For example, France is quite capable of working with the U.S. over Lebanon, where the two countries have common interests, while still trying to lift the European arms embargo on China, a policy that is strongly against American interests. The old-fashioned Cold War terminology of categorizing a state as an “ally” or “enemy” is likely—with a few rare exceptions such as the U.K., Australia, and Poland—to describe little of this new world. In the new era, gauging various European states’ national interests will remain the key to operating effectively in a world in which most states fall somewhere in between the old notions of ally and enemy.

To make this diplomatic strategy work, the U.S. must ignore earlier blandishments to punish any country when it happens to disagree with American policy. During the 40 percent of the time that the U.S. can work with France, it is in America’s interests to do so. The President should pursue transatlantic foreign policy the same way that he deals with Congress: aware that he does not want to antagonize Members of Congress today when he may need their votes tomorrow.

The Bush Administration should make it very clear that, given the standoff that is likely to characterize most European efforts at making foreign policy, the U.S. welcomes working with European countries on an issue-by-issue, case-by-case basis. It is imperative that the White House find ways to reward transient allies. For example, heeding the Central and Eastern European call for improved visa status at the time of the Iraq war would have sent the welcome message that it is in our allies’ practical interests to side with America.

Likewise, without rhetorical bombast, it would be helpful to make equally clear the *lack* of advantage for those who side against America. For instance, reserving contracts for those allies who sided with America in the Iraq war would send the signal that while all countries are entitled to follow any foreign policy they choose, siding against the

sole remaining superpower does carry a price. As a result of such an American policy, allies would be more likely to side with the U.S. in the future, just as those siding against America would think twice next time.

Policy #3: Militarily, given the proven lack of a viable alternative, the U.S. should urge a renewed commitment to NATO reform, reminding European allies that NATO remains the only politically secure possibility for a common defense.

A report commissioned by the French government⁸ comes to a startling conclusion, noting that the U.S. defense industry is leaving European rivals behind by investing heavily in innovative weapons technologies. The report notes that spending on military hardware in the EU is equal to only one-third of the Pentagon's equipment budget, with EU research spending amounting to only 20 percent of the American figure. At present, France and the U.K. are two of only four European countries that spend 2 percent of GDP on defense. The U.S. spends more than 3 percent. The French report concludes by calling for increased transatlantic partnerships within the defense industry.

Given this wide and growing technological disparity and the unbridgeable political schisms within Europe as to whether the European Security and Defense Policy (ESDP) should compete with or complement NATO, the report makes it sound as though the French are very close to throwing in the towel on trying to subvert NATO and establish a European-wide defense force as a counterweight.

The U.S. must move quickly to take advantage of this situation. The U.S. should urge an alliance-wide recommitment to NATO by again advocating initiatives like the NATO Rapid Reaction Force (NRF). The NRF tries to establish the principle of genuine sharing of military risk, which is so vital to the continued political functioning of the alliance.

The NRF, composed of European forces, is to be quickly deployable, highly lethal, and expedition-

ary, involving European troops in high-end war fighting. It was agreed to at the Prague NATO summit as part of a series of goals designed to modernize the European pillar of NATO. The U.S. must continue to press the Europeans to live up to their commitments made in Prague because NATO has become more vital than ever, especially at a time when a more fluid Europe will require NATO's consultation offices.

In addition, the U.S. should continue to press for NATO reform centered around the concept of increasing the alliance's flexibility through the Combined Joint Task Force (CJTF) mechanism.⁹ Given the multi-speed Europe that is emerging, full and unqualified approval of specific missions may prove difficult to achieve with NATO in the new era. However, as Iraq illustrates, there are almost always some allies who will go along with any specific American policy initiative. In this new era of a more diffuse, multi-speed Europe, the U.S. must reform transatlantic institutions like NATO by making them more flexible to fit the new geopolitical realities if they are to remain relevant.

The CJTF is one such initiative. Until recently, alliance members had only two decision-making options: Either agree *en masse* to take on a mission or have one or more members block the consensus required for a mission to proceed. Through the CJTF mechanism, NATO members do not have to participate actively in a specific mission if they feel that their vital interests are not at stake, but their opting out of a mission would not stop other NATO members from participating in an intervention if they so desired, as happened when several European states chose to send troops for peacekeeping in Macedonia.

Beyond the sacrosanct Article V commitment, which holds that an attack on one alliance member is an assault on all members, the future of NATO consists of just these sorts of coalitions of the willing acting out of area. Given that there is now clearly no alternative to NATO, making it more flexible becomes a vital shared transatlantic interest

8. Peter Spiegel, "French to Warn EU It Lags US on Defence," *Financial Times*, June 6, 2005.

9. Hulsman and Gardiner, "A Conservative Vision for U.S. Policy Toward Europe."

in an era of a politically fragmented Europe. The CJTF strategy of allowing a third political decision—not participating in but also not stopping a coalition of the willing from engaging in a shared mission—is critical to the development of a *modus operandi* for retaining NATO's institutional primacy in the new era.

Thinking Again About Europe

For American liberals and European federalists, the events of the past weeks have been a shock. This is their own fault, as they violated the first rule of foreign policy analysis, laid down by the conservative commentator Edmund Burke: To make the world better, one must see it as it is.

By ignoring the primacy of the nation-state system and the huge cultural, economic, sociological, military, and political diversity in Europe, the notion of ever closer union is a utopian idea whose time will never come. All Americans and Europeans who believe in the transatlantic relationship should be glad for this rude awakening, as it allows

things to proceed in a more realistic manner. For the disappointed utopians, a period of genuine self-reflection is imperative.

But that does not let conservatives who saw this coming off the hook. European countries remain America's most important strategic allies, and preserving this vital relationship will require creative thinking. By working with a truly multi-speed Europe politically, economically, and militarily, and by fashioning new institutions and ways to work together—such as NATO's CJTF mechanism—that reflect the new geostrategic reality, the U.S. can develop closer ties with our essential friends, even in a more complicated world. It is the task of our age.

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